

Quarterly Newsletter

# THE CREDIT UNION REFLECTION



## Highlights

Remembering Y2K  
Kanjorski/State CU Powers

## Inside

Field of Membership  
Note from the Commissioner



## REMEMBERING Y2K: WHAT TO DO WITH ALL THOSE RECORDS

Before the national tragedy of 9/11 stirred the American consciousness, there was Y2K--the all-consuming preparation of our computers and electronic services for the dawn of a new millennium. Many people questioned the necessity of such a huge undertaking, and many resisted the change. When January 1, 2000 came and went--and turned out to be almost a non-event--many people asked, "why did we do this?" One answer is that most of the preparation was required by state and federal law. Perhaps we'll never know, but most observers would probably also respond that the changeover went so smoothly because of all the effort that was put into it ahead of time.

A clear-cut product of all the preparation was a lot of documentation. Initially there was identification of "critical systems" that needed to be modified. Vendors that provided these services had to assure that they were complying with requirements. Records were developed of

all the changes that were made, and more records were produced of all the testing that was done on new systems. In addition, credit union boards had to develop project plans, implementation procedures, contingency plans, budgets, Year 2000 awareness programs, and legal assessments. Since 2000 was a leap year, consideration was even given to the effect of the February 29 date in modified systems.

Y2K is behind us now with subsequent events clouding our memory of the national focus of just a couple of years ago. But remaining from this mission are stored boxes of paperwork. Some of you have asked the Bureau, “when can we get rid of this stuff?”

The Bureau has not adopted a formal policy on retention of Y2K records. Our research shows that other states and agencies provide a wide range of direction. The State Corporation Commission has reviewed, and appears to be comfortable with, the Library of Virginia’s GS-2000, “Records Retention and Disposition Schedule”

([http://www.lva.lib.va.us/whatwedo/records/sched\\_local/g2000.htm](http://www.lva.lib.va.us/whatwedo/records/sched_local/g2000.htm)). Under this policy most Y2K records need only be kept until December 31, 2002. The notable exceptions are contracts that are still enforceable and software modification records that have not been revised since Y2K. The Bureau thus is directing all depository and non-depository financial institutions to observe and consider using the Library of Virginia’s Y2K policy.

## KANJORSKI SOFTENS STANCE ON LIMITING STATE CREDIT UNION POWERS

In the Spring 2002 edition of the “Credit Union Reflection” it was reported that Congressman Paul Kanjorski (D-PA) had suggested in his speech to CUNA’s Governmental Affairs Conference that Congress should use federal legislation to limit powers of state-chartered credit unions. Since Mr. Kanjorski has been a long time supporter of credit unions, and his opinion is listened to closely on the House Financial Services Committee, NASCUS and other state credit union supporters were alarmed enough to take action.

Since Mr. Kanjorski’s speech NASCUS staff met several times with his staff. His concerns about the safety and soundness of the state credit union system were discussed. In addition, in May a delegation from the California Credit Union League held a roundtable discussion with Mr. Kanjorski. CUNA and other state Leagues also were in touch with the Congressman’s office. As a result of these meetings, Mr. Kanjorski’s criticisms of the state side of the dual chartering system seem to have softened.

In an exclusive interview held with NASCUS, Mr. Kanjorski stated, “A dual chartering system for credit unions will work best when there is experimentation. We should therefore, consistent with principals of safety and soundness, set to create a regulatory environment that

Mr. Kanjorski allows credit unions to determine the best way in which to serve their members. Limiting the powers of state-chartered credit unions to those of federally chartered credit unions would generally not allow that experimentation to occur.”

Kanjorski fielded some tough questions, but was in general complimentary of state regulators and the state system. He did continue to express concern with private insurance. The full text of the interview may be seen at <http://www.nascus.org/communications/stateline/july-august-stateline.pdf> .



## VIRGINIA WEATHER AND FIELD OF MEMBERSHIP ACTIVITY BOTH IN A DROUGHT



During the third quarter of 2002 the Bureau approved one small employee group (SEG) to be added to the field of membership of one credit union. A total of four new potential credit union members were approved for the quarter. This approval took place early in July, and there have been no requests since then. Activity in this area for Virginia state-chartered credit unions has obviously slowed down significantly since the first quarter of 2002.

Since legislation to permit SEG expansion went into effect on July 1, 1999 there have been 200 SEGs approved for total new potential membership of 38,450. The average group size is about 192.

There have been legal motions and counter-motions on the appeal of the Commissioner’s approval of DuPont Community Credit Union’s community field of membership expansion. After the August recess of the Commission no date has been set yet for a hearing. There were no mergers involving Virginia state-chartered credit unions in the second quarter.

## **BUREAU APPOINTS NEW** **SENIOR COUNSEL**

As reported in the Fall 2001 Credit Union Reflection, long time Senior Counsel Bill Schutt retired effective October 1, 2001. After interviewing several candidates, the internal interview panel selected Jonathan B. Orne to fill the vacant position of Senior Counsel.

Mr. Orne is not new to the State Corporation Commission or BFI. He joined the SCC in 1986 after many years in private General law practice. Mr. Orne was also the former Assistant Director and a Staff Attorney for the metropolitan Richmond Legal Aid Project. He holds an undergraduate degree in Education from Oberlin College in Oberlin, Ohio; and a law degree from the University of North Carolina School of Law.



**JONATHAN B. ORNE**

As Senior Counsel, Mr. Orne's responsibilities will be advising the BFI on all legal matters related to financial institutions regulated by the BFI, including depository and non-depository institutions. Mr. Orne and his wife recently welcomed a son into the world, their second child. Congratulations to Jon Orne on both of these events.



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**IMPORTANT  
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